



**Wisconsin State AFL-CIO** *...the voice for working families.*

David Newby, President • Sara J. Rogers, Exec. Vice President • Phillip L. Neuenfeldt, Secretary-Treasurer

David Newby  
March 10, 2008

414-581-0942

## **TESTIMONY IN SUPPORT OF “HEALTHY WISCONSIN”**

Thank you for the opportunity to speak to you today in support of “Healthy Wisconsin”. As you know, the Wisconsin State AFL-CIO has been working intensely on the issue of guaranteeing quality, comprehensive, affordable health care to everyone in Wisconsin for well over seven years (to say nothing of other efforts that go back almost twenty years). So we are proud to have been part of the process that got us to this proposal today.

There has been a great deal of discussion—pro and con—about Healthy Wisconsin since the Senate added it to their version of the Budget last summer. This discussion has been good. First, it has served to make the issue of quality and affordable health care for all the top domestic issue in Wisconsin. Second, it has demonstrated that it is indeed possible—and financially advantageous—to provide quality, affordable health care to everyone in Wisconsin. And third, it has raised questions not initially anticipated by the authors of Healthy Wisconsin.

I would like to commend Chairman Erpenbach for his tireless scheduling of hearings and forums on Healthy Wisconsin since its introduction. I would also like to commend him for responding to what he and others heard at those hearings and forums by making changes to the proposal.

The phase-in for small businesses of the employer share of the payroll assessment that finances Healthy Wisconsin is especially important. According to the Legislative Fiscal Bureau, only 38.7% of firms with fewer than 10 employees provide insurance for their employees. But 70.1% of firms with 10 to 24 employees provide insurance. So targeting the phase-in to small businesses with 10 or fewer employees makes eminent good sense, since these firms are most likely not to provide insurance currently and would therefore have a significant increase in costs if required to remit 10.5% of payroll from the first day Healthy Wisconsin is implemented.

It is encouraging, too, that this phase-in is affordable by tapping in to some of the savings in the public sector.

We were also pleased to see a family cap of 4% of Social Security wages so that a family with multiple earners is not paying an inordinately high amount as their fair share of the costs of Healthy Wisconsin.

Detractors of Healthy Wisconsin keep insisting—indeed hammering—that Healthy Wisconsin requires a \$15B tax increase. This argument is simply untrue. It is deceptive and disingenuous, designed to frighten Wisconsinites into thinking that the cost of quality health care for everyone in Wisconsin is far beyond our means.

Healthy Wisconsin funds health care in a different fashion—payroll assessments as opposed to premiums paid to insurance companies and HMO's—but since those

assessments replace currently paid premiums, we have to compare the two, not deceive people into thinking that Healthy Wisconsin will cost \$15 B more than we are paying now.

Indeed the estimate is that if Healthy Wisconsin were in effect in 2007, our total health care expenditures for those covered by the Plan would have been \$751 M **less** than what we spent last year if no changes had been made. Furthermore, businesses that provide at least some health insurance to their employees would have saved \$686 M—and yet **everyone** in Wisconsin—including the currently uninsured and underinsured—would have the comprehensive, quality health care they need: guaranteed!

So those who charge that “Healthy Wisconsin” is a massive \$15 B tax **increase** are simply deceiving the people of Wisconsin.

When **everyone**—individual and employer alike—pays their fair share, it is possible to provide the best health care for **everyone** in Wisconsin: **at a total cost less than we are paying today!**

But we also need to control costs in coming years: not by taking it out of the hides of those who provide health care or pretending that we can cut costs by insisting that we all become better “shoppers” for health care, but by being more efficient and effective in the way we deliver care. Healthy Wisconsin incorporates mechanisms to ensure that increases in health care costs are no greater than the National Rate of Medical Inflation (which they have been in most recent years).

We also know that by dramatically reducing unnecessary bureaucratic, administrative, underwriting, and price negotiation costs and building quality and best-

practice standards into the very structure of the health care system in Wisconsin that we can cut costs and keep them to an even lesser rate of inflation.

In addition, by requiring that everyone chose a primary care provider, giving them a medical “home”, and providing incentives for preventive care and chronic disease management, we know from all recent medical research that these measures will both improve the health of our population and reduce costs below what we are paying now.

Much more could—and should—be said in support of Healthy Wisconsin, but let me simply stress that in addition to improving health and saving money, Healthy Wisconsin would give us all greater freedom.

- It would eliminate personal bankruptcies due to unpaid medical costs (which are responsible for almost 50% of all individual or family bankruptcies today).
- It would allow people to change jobs, while now they may well have to stay in a job they hate just so they have health insurance for themselves and their family.
- It would allow people to start new businesses, without having to take the risk of going without health insurance and knowing that they could recruit top-notch employees who would also be guaranteed excellent health care.
- It would allow people to retire early and still get the health care they need, while continuing to pay their fair share toward the cost of their care. It would also allow someone to retire when they become eligible for Medicare, rather than having to work more

years if they have a younger spouse who would have no access to health care once they were no longer covered by an employer's policy.

Finally, in recent months Healthy Wisconsin has started to become a model for other states that want to ensure that all their people have quality, affordable, comprehensive health care. A bill modeled on Healthy Wisconsin was introduced in the Washington State Legislature just weeks ago. Legislators in at least two other states are also looking to the Healthy Wisconsin model to solve the health care crisis they also face. That is a powerful tribute to the authors of Healthy Wisconsin. It also means that by passing Healthy Wisconsin, Wisconsin can once again be recognized as it was in the 20<sup>th</sup> century under the leadership of the Republican Progressives for leading the way on sensible legislation that sets the standard for the country. We did it for Workers Compensation, we did it for Unemployment Insurance, as well as many lesser measures. Let's now do it for health care.



**CITIZEN  
ACTION**  
OF WISCONSIN

## **Good Deal:**

### ***How Healthy Wisconsin Improves the Bottom Line for Wisconsin Families***

**Robert Kraig, Ph.D.  
Citizen Action of Wisconsin**

**Release Date: March 10, 2008**

# Introduction

The introduction and passage of *Healthy Wisconsin* in the State Senate during the 2007 state budget process re-animated the discussion of whether comprehensive health care reform can restrain skyrocketing health insurance costs.

There is little dispute concerning the problem. Nationally, health insurance costs have increased 78% since 2001. Family health insurance is becoming particularly unaffordable, with annual premiums now an astounding \$12,106 per year, 28% of which is paid for by workers.<sup>1</sup> A report by Families USA released in December found that 1.2 million Wisconsinites are in families that pay 10% or more of their pre-tax income on health care costs, and that 322,000 are in families that pay 25% or more of their income on health care costs.<sup>2</sup> It is well established that costs are higher than the national average in Wisconsin. In November the annual Mercer Health & Benefits employer survey found Wisconsin health insurance costs to be 23% above the national average.<sup>3</sup> In addition, a report released by Citizen Action of Wisconsin in December found a large variation in health insurance costs between different regions of the state, with some areas paying over 25% more than lower cost areas.<sup>4</sup>

There is less of a consensus on solutions to health insurance hyperinflation. The way the debate over *Healthy Wisconsin* unfolded last summer did not give Wisconsin families a clear picture of how the comprehensive health care reform measure would affect their family pocketbooks. As kitchen table economics are the most vital concern for Wisconsin families struggling with surging health care costs, it is important that this issue be clarified so that the families can make informed judgments about how *Healthy Wisconsin* will affect their bottom line. With the introduction of a revised version of *Healthy Wisconsin* in March of 2008, this is an opportune time to revisit the question.

This report quantifies cost savings under *Healthy Wisconsin* for Wisconsin families who get their health insurance through employer-based coverage. According to U.S. Census Bureau data, 69% of health insurance coverage in Wisconsin is employer-based.<sup>5</sup>

Using an extremely conservative methodology that likely understates the family savings under *Healthy Wisconsin*, this report shows that the typical Wisconsin household will save 40%, and as much as 62%, for something much better than they have today, high quality coverage they can never lose as long as they live in Wisconsin. This is an annual savings of between \$1,320 and \$4,180 per year, depending on the kind of plan in which a family is currently enrolled and their health status. The report also shows that because families pay for *Healthy Wisconsin* on a sliding scale based on income, that lower wage working families who unfairly are forced to pay more in the current system save the most. A family making \$35,000 per year saves from 57% to 70%, or from \$1,872 to \$4,740 per year depending on their current plan and their family health status. Other big winners include employees who work for small businesses, who save an average of 52%, or \$2,160 per year.

The report shows that savings are substantial across most income levels, except for the highest income families. Because of *Healthy Wisconsin's* progressive payroll assessment, these higher income households pay slightly more, but in return receive a great deal more health security than they have today. In addition, the report documents

that savings are substantial both for families that are very healthy, and thus have very low medical utilization, and for families that have a significant illness, and therefore have higher utilization of the medical system.

For the first time, this report also compares the cost of *Healthy Wisconsin* to different types of health insurance plans, Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and High Deductible Health Plans (HDHPs).

## Methodology

*Healthy Wisconsin* replaces health insurance premiums currently paid by Wisconsin employees with a 4% assessment on Social Security wages (up to \$102,000 in 2008). *Healthy Wisconsin* also includes a relatively low deductible of \$600 per family.

This analysis makes a very conservative assumption that workers will pay the entire 4% payroll assessment, although many employers will likely cover some or all of it on behalf of their employees. It also makes the conservative assumption that deductibles are roughly comparable between current plans and *Healthy Wisconsin*, although *Healthy Wisconsin* has much broader exclusions than most currently available plans including no deductibles for children, preventative care, and chronic disease management.

Due to the variety of health insurance plan types, PPOs, HMOs, High Deductible Health Plans (HDHPs), and diversity of cost sharing schemes, it can be difficult to compare the costs of current health insurance with what the cost would be under *Healthy Wisconsin*. However, the two largest shares of family cost, premiums and deductibles, can be compared. Limiting the analysis to these two data points actually understates likely family savings under *Healthy Wisconsin* by not taking into account increasingly common costs associated with private insurance such as separate deductibles for hospitalization and major outpatient procedures, or high co-payment or co-insurance rates for prescription drugs, doctor visits, or specialists.

Most health policy researchers consider the Kaiser Family Foundation/Health Research and Educational Trust "Employer Health Benefits: 2007 Annual Survey" to be the benchmark analysis of current health insurance costs for employers and employees. The Kaiser/HRET data set allows a comparison between premiums and deductibles paid for health insurance for different types of plans. It also allows a comparison between different types of employers and employees. As Kaiser/HRET is a national data set, and Wisconsin health insurance costs are nearly a quarter higher than the national average, this baseline for comparison likely underreports the cost of current health insurance for Wisconsin families, and thus understates family savings from *Healthy Wisconsin*.

The analysis compares cost under *Healthy Wisconsin* to current employer-based health insurance in several ways. First, the report compares the premiums paid by employees now to the payroll assessment under *Healthy Wisconsin*. This is the best measure for families that have low medical utilization, and therefore will not trigger the payment of deductibles and other cost sharing mechanisms. This section also examines savings for lower wage workers, employees of small business, and employees who select High Deductible plans. Second, the report compares premiums and deductibles under the common types of insurance available today through employers to the payroll assessment and deductibles under *Healthy Wisconsin*. This is the best measure of costs



for families who have an injury or illness in a given year, and therefore trigger the payment of deductibles. Finally, the report reviews the major cost savings to the health care system as a whole achieved by *Healthy Wisconsin*.

## **Savings for Healthy Families**

This section compares the *Healthy Wisconsin* payroll assessment to current health insurance premiums. This is the best way to compare costs for families that are very healthy and do not have significant medical utilization in a given year. (The next section will factor in deductibles, which are paid by families who use substantial medical services in a given year).

Under the *Healthy Wisconsin* legislation introduced in March of 2008, workers are charged the payroll assessment on a sliding scale, based on 4% of what they make, up to a household cap of \$102,000. This replaces the workers' share of current employment-based health insurance premiums, which in 2007 was an average of \$273 per month.<sup>6</sup> Figure 1 compares the *Healthy Wisconsin* payroll assessment to the average worker share of premiums for health insurance based on household income.

The median family income in Wisconsin is currently \$48,903 per year.<sup>7</sup> Under *Healthy Wisconsin*, this typical Wisconsin working family saves 40% (\$113 per month) over what they are paying now as their share of health insurance premiums. Families that make less than average income save even more. A family with a household income of \$35,000 per year saves 57% (\$157 per month). All families save up to the household income level of \$82,000 per year. Families above that amount pay more, although in fairness they are paying for a much better than average benefits package that they can never lose as long as they live in Wisconsin, regardless of whether they leave their current job, or become seriously ill and are unable to work. It also should be noted that three-quarters of Wisconsin households make 75,000 or less per year.<sup>8</sup>

**Figure 1: Average Savings on Health Insurance Premiums**

Household Income	HW Assessment	Average Premium	Monthly Savings/Cost	Difference
\$30,000	\$100	\$273	\$173	-63%
\$35,000	\$117	\$273	\$156	-57%
\$40,000	\$133	\$273	\$140	-51%
\$45,000	\$150	\$273	\$123	-45%
\$48,903 (Median)	\$163	\$273	\$110	-40%
\$55,000	\$183	\$273	\$90	-33%
\$65,000	\$217	\$273	\$56	-21%
\$75,000	\$250	\$273	\$23	-8%
\$80,000	\$267	\$273	\$6	-2%
\$82,000	\$273	\$273	\$0	0%
\$85,000	\$283	\$273	costs \$10	4%
\$102,000 (Maximum)	\$340	\$273	costs \$67	25%

Figure 1 represents average savings for families with low medical utilization. However, there are many groups of workers who stand to save even more. In the current fragmented health insurance system many workers pay much more simply because of where they work. For example, the workers' share on health insurance premiums in small business is an average of \$353 per month, \$80 more than the average worker.<sup>9</sup> As Figure 2 shows, these workers stand to gain even more from *Healthy Wisconsin*, with lower income workers saving an astounding 72% and the median household saving 54%.

**Figure 2: Workers in Small Firms**

Household Income	HW Assessment	Average Premium	Monthly Savings	Difference
\$30,000	\$100	\$353	\$253	-72%
\$35,000	\$117	\$353	\$236	-67%
\$40,000	\$133	\$353	\$220	-62%
\$45,000	\$150	\$353	\$203	-57%
\$48,903 (Median)	\$163	\$353	\$190	-54%
\$55,000	\$183	\$353	\$170	-48%
\$65,000	\$217	\$353	\$136	-39%
\$75,000	\$250	\$353	\$103	-29%
\$80,000	\$267	\$353	\$86	-24%
\$82,000	\$273	\$353	\$80	-23%
\$85,000	\$283	\$353	\$70	-20%
\$102,000 (Maximum)	\$340	\$353	\$13	-4%

In Figure 1 and Figure 2, it is clear that lower wage working families benefit the most from *Healthy Wisconsin's* shift from flat premiums to a sliding scale assessment based on income. The savings to such families are actually understated because of the extremely regressive nature of the current health insurance system. Workers in firms where at least 1/3 of the workforce is low wage actually pay higher than average health insurance premiums. According to the Kaiser/HRET survey, such workers pay an average of \$70 more per month.<sup>10</sup> Figure 3 represents the savings such workers will gain under *Healthy Wisconsin*, ranging from a 76% for lower wage workers and a 53% reduction for households making the median Wisconsin household income.

**Figure 3: Savings for Workers in Low Wage Firms**

Household Income	HW Assessment	Average Premium	Monthly Savings	Difference
\$25,000	\$83	\$343	\$260	-76%
\$30,000	\$100	\$343	\$243	-71%
\$35,000	\$117	\$343	\$226	-66%
\$40,000	\$133	\$343	\$210	-61%
\$45,000	\$150	\$343	\$193	-56%
\$48,903 (Median)	\$163	\$343	\$180	-52%
\$55,000	\$183	\$343	\$160	-47%
\$65,000	\$217	\$343	\$126	-37%

\$75,000	\$250	\$343	\$93	-27%
\$85,000	\$283	\$343	\$60	-17%
\$102,000 (Maximum)	\$340	\$343	\$3	-1%

Conservative critics of comprehensive health care reform advocate High Deductible Health Plans (HDHPs) as a way to reduce health insurance costs. Under HDHPs, enrollees pay lower premiums in return for accepting much higher deductibles.<sup>11</sup> These plans are often associated with Health Savings Accounts (HSAs) where families can save pre-tax money to pay for deductibles and other cost sharing. Currently, the average deductible for HSA qualified HDHPs is \$3,883 per year for family policies.<sup>12</sup> As their premiums are lower and deductible are higher these plans are most advantageous for those who are healthy, and thus have lower medical utilization. Figure 4, however, shows that for most income levels, *Healthy Wisconsin's* payroll assessment is lower than the premiums for HDHPs. HDHPs do save money for higher income earners, but only if they remain healthy and do not have to pay the high deductibles. Figure 8 in the next section shows that *Healthy Wisconsin* is dramatically cheaper than HDHPs for families with high medical utilization.

**Figure 4 High Deductible Health Plan Premiums and *Healthy Wisconsin* Assessment**

Household Income	HW Assessment	HDHP Premium	Monthly Savings/Cost	Difference
\$30,000	\$100	\$238	\$138	-58%
\$35,000	\$117	\$238	\$121	-51%
\$40,000	\$133	\$238	\$105	-44%
\$45,000	\$150	\$238	\$88	-37%
\$48,903 (Median)	\$163	\$238	\$75	-31%
\$55,000	\$183	\$238	\$55	-23%
\$60,000	\$200	\$238	\$38	-16%
\$65,000	\$217	\$238	\$21	-9%
\$70,000	\$233	\$238	\$5	-2%
\$71,500	\$238	\$238	\$0	0%
\$75,000	\$250	\$238	costs \$12	5%
\$85,000	\$283	\$238	costs \$45	19%
\$102,000 (Maximum)	\$340	\$238	costs \$102	43%

### **Savings for Families with Higher Medical Utilization**

This section compares premiums and deductibles under current health insurance plans to *Healthy Wisconsin's* payroll assessment and deductibles. As deductibles will be paid when people access the medical system, a combination of premiums and deductibles is the best measure of family cost when there is a injury or illness in the family in a given year. The deductible for *Healthy Wisconsin* is \$600 per family. This analysis does not take into account the fact that *Healthy Wisconsin* has no deductibles for preventative care, chronic disease management, or care for children. Although most current

employer based plans do not have all of these significant exclusions from deductibles, their terms are too various to compare, so this analysis likely understates the savings on deductibles under *Healthy Wisconsin*.

Figure 5: Premiums and Deductibles Higher Medical Utilization

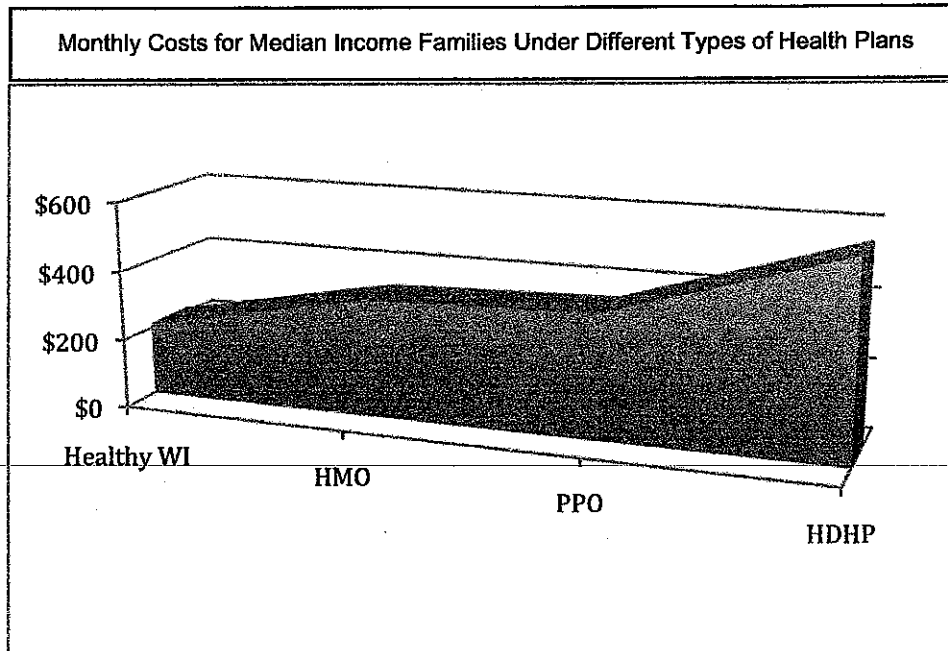


Figure 6 compares the combined premiums and deductibles for a Preferred Provider Organization (PPO) plan to the payroll assessment and deductibles under *Healthy Wisconsin*. PPOs are by far the most common type of employer-based health insurance plan, holding 66% of the market in the Midwest. HMOs, the second most common plan, only constitute 15% of the market.<sup>13</sup> For the average PPO plan the average annual deductible for a family plan is \$1040. *Healthy Wisconsin's* deductible is over 40% less, at \$600 per year.<sup>14</sup> In this calculation, the average Wisconsin family would save \$147 a month, and all families under \$92,000 in household income save money.

Figure 6: PPO Premiums and Deductibles and Healthy Wisconsin Payroll Assessment and Deductibles.

Household Income	HW Assessment and Deductible	PPO Premium and Deductible	Savings/Cost	Difference
\$30,000	\$150	\$357	\$207	-58%
\$35,000	\$167	\$357	\$190	-53%
\$40,000	\$183	\$357	\$174	-49%
\$45,000	\$200	\$357	\$157	-44%
\$48,903 (Median)	\$213	\$357	\$144	-40%

\$55,000	\$233	\$357	\$124	-35%
\$65,000	\$267	\$357	\$90	-25%
\$75,000	\$300	\$357	\$57	-16%
\$85,000	\$333	\$357	\$24	-7%
\$90,000	\$350	\$357	\$7	-2%
\$92,000	\$357	\$357	\$0	0%
\$102,000 (Maximum)	\$390	\$357	costs \$33	9%

Figure 7 makes the same calculation for HMOs. The annual deductible for these types of plan is \$759, substantially less than for PPOs. HMO deductibles are \$159 (or 20%) higher on average than *Healthy Wisconsin*.<sup>15</sup> In this comparison, *Healthy Wisconsin* saves the average Wisconsin family 37% on premiums and deductibles, or \$1,500 a year.

**Figure 7: HMO Premiums and Deductibles and *Healthy Wisconsin* Payroll Assessment and Deductibles.**

Household Income	HW Assessment and Deductible	HMO Premium and Deductible	Savings/Cost	Difference
\$30,000	\$150	\$339	\$189	-56%
\$35,000	\$167	\$339	\$172	-51%
\$40,000	\$183	\$339	\$156	-46%
\$45,000	\$200	\$339	\$139	-41%
\$48,903 (Median)	\$213	\$339	\$126	-37%
\$55,000	\$233	\$339	\$106	-31%
\$65,000	\$267	\$339	\$72	-21%
\$75,000	\$300	\$339	\$39	-12%
\$85,000	\$333	\$339	\$6	-2%
\$90,000	\$350	\$339	costs \$11	3%
\$102,000 (Maximum)	\$390	\$339	costs \$51	15%

Figure 8 compares premium and deductible costs between *Healthy Wisconsin* and High Deductible Health Plans (HDHPs), which are often associated with Health Savings Accounts (HSAs). According to Kaiser/HRET the average annual deductible for a family HDHP policy associated with an HSA is \$3,883.<sup>16</sup> This comparison shows very large savings for every income group under *Healthy Wisconsin*. For example, the average Wisconsin family would save 62%, or \$4,188 per year.

**Figure 8: HDHP Premiums and Deductibles and *Healthy Wisconsin* Payroll Assessment and Deductibles.**

Household Income	HW Assessment and Deductible	HDHP Premiums and Deductibles	Savings	Difference
\$30,000	\$150	\$562	\$412	-73%
\$35,000	\$167	\$562	\$395	-70%
\$40,000	\$183	\$562	\$379	-67%
\$45,000	\$200	\$562	\$362	-64%

\$48,903 (Median)	\$213	\$562	\$349	-62%
\$55,000	\$233	\$562	\$329	-59%
\$65,000	\$267	\$562	\$295	-52%
\$70,000	\$283	\$562	\$279	-50%
\$75,000	\$300	\$562	\$262	-47%
\$85,000	\$333	\$562	\$229	-41%
\$95,000	\$350	\$562	\$212	-38%
\$102,000 (Maximum)	\$390	\$562	\$172	-31%

## How Healthy Wisconsin Savings are Achieved

In addition to distributing health insurance costs more fairly based on a sliding scale, *Healthy Wisconsin* is able to lower family costs while guaranteeing access to high quality coverage by reducing inefficiencies in the current system.

According to the highly respected Lewin Group, a national actuarial firm used by all sides of the health care reform debate, *Healthy Wisconsin* saves \$750 million in the first year and \$13.8 billion over 10 years.<sup>17</sup>

The breakdown in annual cost savings projected by the Lewin Group are detailed in Figure 9:

Figure 9: Major Annual Savings Under *Healthy Wisconsin* <sup>18</sup>

Emphasis on Primary and Preventative Care	\$565 Million
Bulk Purchase of Prescription Drugs	\$178 Million
Provider Administrative Costs	\$407 Million
Insurance Company Administrative Costs	\$1.6 Billion

## Discussion

This report examined the savings under *Healthy Wisconsin* for families with employer-based insurance. Over 2/3rds of Wisconsinites get their health insurance coverage through their employers. This tight focus on cost does not take into account *Healthy Wisconsin's* well above average benefits package, or the additional value to a family of having health coverage they can never lose as long as they reside in Wisconsin. It also does not take into account the current rate of health care hyperinflation, which will make employer-based health insurance even more unaffordable in coming years, even for those who have relatively affordable coverage today. According to a recent report by the Centers for Medicare & Medicaid Services, U.S. health care costs will double again by 2017 to \$4 trillion per year, or 20% of the Gross Domestic Product.<sup>19</sup>

Using a very conservative methodology that likely understates the savings of *Healthy Wisconsin*, this report shows substantially reduced health care costs for Wisconsin families. The typical Wisconsin family with employer-based coverage can expect an

immediate annual savings of between \$1,320 and \$4,180 per year, depending on the kind of plan in which their family is currently enrolled and their health status. Savings are even more substantial for lower wage families, and families who get health care coverage through small business employers.

**Acknowledgements:** We would like to thank Darcy Haber, Laura Dresser, David Riemer, Families USA, and the Herndon Alliance for technical assistance on various aspects of this report. This report was made possible in part by a grant from the Nathan Cummings Foundation. Graphics were designed by Steve Schwartz.

## ENDNOTES

<sup>1</sup> Kaiser Family Foundation/Health Research and Educational Trust, "Employer Health Benefits: 2007 Annual Survey," September 2007, 23, 11, 66.

<sup>2</sup> Families USA, "Too Great a Burden: Wisconsin's Families at Risk," December 2007, 1.

<sup>3</sup> Guy Bolton, "Health Cost Increases Slow," *Milwaukee Journal Sentinel*, November 20, 2007, <http://www.jsonline.com/story/index.aspx?id=688195>.

<sup>4</sup> For variations in health insurance costs and rankings by city and region, as well as a review of literature on higher than average health care costs in Wisconsin see Robert Kraig, "Wisconsin Health Insurance Cost Rankings 2008," Citizen Action of Wisconsin, December 4, 2007, 3-4.

<sup>5</sup> Kaiser Family Foundation State Health Facts, <http://www.statehealthfacts.org/comparebar.jsp?ind=126&cat=3&yr=1&typ=2&sort=162&o=a>

<sup>6</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 70.

<sup>7</sup> Joint Economic Committee, U.S. Congress, "Wisconsin Economic Snapshot," January 28, 2008, <http://jec.senate.gov/State%20by%20State/January%202008/WI.pdf>

<sup>8</sup> U.S. Census Bureau, <http://www.census.gov/compendia/statab/tables/08s0684.xls>; In an earlier study, the Institute on Taxation and Economic Policy found that 80% of Wisconsin taxpayers make less than \$70,000 per year. <http://www.itepnet.org/wp2000/wi%20pr.pdf>

<sup>9</sup> Small firms are defined as those with 1-199 employees. Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 72.

<sup>10</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 67, 79, 80.

<sup>11</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 70.

<sup>12</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 125

<sup>13</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 64.

<sup>14</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 100.

<sup>15</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 100, 70.

<sup>16</sup> Kaiser/HRET, "Employer Health Benefits: 2007 Annual Survey," 125, 70.

<sup>17</sup> Lewin Group, "Healthy Wisconsin—Your Choice—Your Plan: Cost and Coverage Impacts," June 19, 2007, [http://citizenactionwi.org/images/stories/healthywi\\_cost\\_coveragept.pdf](http://citizenactionwi.org/images/stories/healthywi_cost_coveragept.pdf)

<sup>18</sup> See Lewin Group, "Cost and Coverage Impacts." For further analysis of Lewin findings see David Riemer, "How Healthy Wisconsin Will Reduce Health Costs," July 2007, [http://citizenactionwi.org/images/stories/riemer\\_cost\\_reduction\\_v2.pdf](http://citizenactionwi.org/images/stories/riemer_cost_reduction_v2.pdf)

<sup>19</sup> "Health Care Costs on Pace to Double by 2017," *Eau Claire Leader Telegram*, Feb 25, 2008, <http://www.leadertelegram.com/story-news.asp?id=BFT28SNFATC>



WISCONSIN ASSOCIATION OF  
HEALTH UNDERWRITERS

*Wisconsin's Benefit Specialists*

## **Senate Health, Human Services, Insurance, and Job Creation**

### **Senate Bill 562**

**March 10, 2008**

The Wisconsin Association of Health Underwriters is an association for the health insurance professional. Whether an agent, broker or consultant, WAHU represents those individuals engaged in providing products and services that help finance the cost of health care for Wisconsin consumers. WAHU represents over 3,000 health insurance professionals throughout Wisconsin, comprising nearly 600 individual members and their staff.

WAHU opposes SB562 for many reasons and this written testimony will detail several points we believe are fundamental flaws in this legislation. First, under this proposal the Healthy Wisconsin Authority (HWA) is created and governed by a voting Board of Trustees, with only an advisory capacity for any expert in health care funding or administration. Second, Wisconsin will become a magnet for people looking for free health care. For instance, any pregnant woman from Minnesota, Iowa, Illinois, Michigan and even Canada could drive across our border and have their baby delivered compliments of Wisconsin taxpayers. Is this increase in people coming to Wisconsin to get free health care contemplated in the cost estimate?

Although there has been no actuarial study of this plan and there is no fiscal estimate yet available, using estimates from its predecessor, Healthy Wisconsin is very likely to experience significant cost overruns. With all the actuarial studies and cost estimates for the reform plan in Massachusetts, their premium doubled before the plan was even off the ground and after just one year, their plan suffers a \$400 million deficit. One indication that the numbers are off from Wisconsin is the plan after which Healthy Wisconsin is modeled. The state employees plan costs \$11,000 annually per person, but yet the cost estimates from the first Healthy Wisconsin estimate costs for their plan will drop to \$6,120 per person. The numbers simply don't add up.

Additionally, this plan would far from reduce health care costs, in fact, it will do the opposite. Even if one assumes any cost savings in administrative costs, health care costs will still rise at national health care inflation rate. This has been 12% per year since 2001. Under current trend, the 16% combined payroll tax is GUARANTEED to increase by 12% each year. This will force either rationing of care or huge tax increases – perhaps both.



Experts like Regina Herzlinger and organizations like the Cato Institute have concluded the problem with health care costs is the removal of the patient from the financial obligations. SB562 goes in the opposite direction of the suggestions of the experts. While the private market has moved towards more traditional health plans that have cost sharing arrangements typical of the early 80's, Healthy Wisconsin provides the first dollar coverages that the experts concluded were the reasons health care costs rose throughout the last 25 years.

The Wisconsin Association of Health Underwriters opposes SB562 for the reasons stated above. We gladly welcome the opportunity to discuss real solutions to rising health care costs. WAHU, along with 3 other agent organizations have developed a reform plan that does exactly that. Sensible Health Care Solutions recognizes the real problem of health care costs and provides sensible solutions that work towards making the market work better to control those costs. We welcome the opportunity to present our reform plan to this committee and welcome the continued discussion of making healthcare, and thus health care coverage, more affordable for Wisconsin consumers.



The Voice of Small Business®

**Wisconsin**

**Statement Before the  
Senate Committee on Health, Human Services,  
Insurance and Job Creation**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Monday, March 10, 2008  
Senate Bill 562**

---

My name is Bill G. Smith, and I am State Director of the National Federation of Independent Business (NFIB), the state's largest nonprofit organization, representing 12,000 small and independent businesses. A typical NFIB member has fewer than 10 employees, and has gross sales of about \$350,000 a year.

Mr. Chairman, members of the Committee, I appreciate the opportunity to make a brief statement on behalf of our state's small business owners in opposition to passage of Senate Bill 562. I represent many of the victims of unaffordable health insurance – both insured who struggle to maintain meaningful coverage, and the uninsured – about 47% of our membership – who would be devastated by a new tax on their payroll, which would diminish their prospects for their future success to grow and offer new employment opportunities.

It is somewhat ironic that I should appear today in strong opposition to this proposal. It is, of course, a comprehensive reform proposal intended to make health insurance affordable and coverage meaningful. These are goals the small business community shares with the author of this proposal. These goals have been at the top of the NFIB legislative agenda for many years. We have worked hard for legislation and regulations that we believe would help small business achieve meaningful health insurance coverage at an affordable cost.

The author of this legislation should receive an "A" for effort, but unfortunately, a failing grade for content.

**Senate Committee on Health, Human Services, Insurance and Job Creation – continued**  
**Statement By Bill G. Smith, NFIB**  
**Monday, March 10, 2008**

We commend the author for attempting to respond to the concerns of small business in his revisions to the earlier version of the Healthy Wisconsin proposal. He rightfully focused in on those firms with fewer than 10 employees, and he recognized the impact this proposal will have on those small businesses by phasing-in the new payroll tax assessment.

However, and unfortunately, whether these small employers have their payrolls taxed immediately, a year from now, or three years from now, the economic hardship a new payroll tax will inflict on small business will be the same.

When small business owners themselves are asked what should be the role of employers in financing employee healthcare?

- 58% - Voluntary provision
- 23% - No role for employers – individual's responsibility.
- 6% - Mandatory provision
- 4% - Undecided
- 3% - Payroll tax on employers

**Source:** NFIB Research Foundation, Small Business Owners on Healthcare Policy, 10,000 random members, 1,654 participated, response rate 17%

According to yet another survey study, when NFIB members were asked: Should government assess a payroll tax or other sanctions on businesses that do not provide health insurance for their employees? **86% said No.**

I know there are trade-offs, Mr. Chairman, in debates over public policy. Senate Bill 562 would trade \$17 billion in health insurance premiums with a \$15 billion payroll tax, a tax assessed regardless of ability to pay, regardless of profitability, and regardless of employer and employee choice.

But Wisconsin's small business owners are simply not interested in that deal.

Based on a survey study of our members, **70 percent of our state's small business owners are opposed to any statewide health insurance reform proposal that relies on an assessment on payroll for funding.**

The NFIB Research Foundation utilizes a simulated computer model (NFIB/BSim) to measure the impact of mandates placed on employers.

Although we have only preliminary numbers, the simulation summary indicates that the smallest firms were almost 2.5 times more likely to suffer employment loss as a result of Healthy Wisconsin.

**Senate Committee on Health, Human Services, Insurance and Job Creation – continued**  
**Statement By Bill G. Smith, NFIB**  
**Monday, March 10, 2008**

A new payroll tax, whether assessed in 2008 or three years from now, is still a regressive tax that will have a devastating impact on the self-employed, small businesses, sole proprietors, and thousands of firms operating with a small profit margin. It will guarantee Wisconsin will never be home to the next Microsoft, or any other innovative entrepreneur.

Senate Bill 562 will discourage small business creation, limit small business growth, and place in jeopardy the jobs our small businesses provide everyday that are essential to the economic growth of our state.

Senate Bill 562 and other so-called universal healthcare reform initiatives are simply the wrong medicine for a complex problem.

Mr. Chairman, on behalf of our state's small business owners who are members of NFIB, we are grateful for the hard work you've invested in this important issue. But the negative economic impact and inherent unfairness of your solution to tax the payroll of small business employers and their employees is rejected by the small business community, and we are, therefore, **opposed to passage of Senate Bill 562.**

Thank you.

# AMERICANS FOR PROSPERITY

## Wisconsin

---

**Date:** March 10, 2008

**To:** Members of the Senate Health, Human Services, Insurance and Job Creation Committee

**From:** Mark Block, Americans for Prosperity-WI Director

**Re:** Senate Bill 562

Americans for Prosperity (AFP) is a free-market grassroots organization that advocates for public policies that champion the principles of fiscal and regulatory restraint. Americans for Prosperity strongly opposes Senate Bill 562 (SB 562) - government run health care.

SB 562 or the *Healthy Wisconsin* plan does not take a market-driven, consumer-based approach to health care reform – it mandates coverage for all Wisconsinites; it does not address the current systemic drivers of high health care costs, such as waste and redundancies; and it proposes an exorbitant \$15.2 billion tax increase.

This is the wrong direction for Wisconsin. Another tax increase will further discourage employers from locating here and/or creating high paying jobs. Tax increases translate into job losses - families, businesses and capital leaving the state.

Furthermore, creating a new payroll tax will not likely keep pace with rising health care costs. Increases in health care costs have been rising much more rapidly than payrolls. This will create enormous pressure in the future to either raise taxes *again* or try to solve the health care crisis *again*.

According to the Wisconsin Policy Research Institute, when tax revenue does not keep pace with the quantity of health care that people demand when it's provided for them at no direct cost, shortages result, and governments develop rules and policies to allocate and ration health care services. Although *Healthy Wisconsin* does not propose creating state sponsored clinics, doctors, etc., the plan will have the same effect from a tax perspective, risking rationing in the long run.

AFP believes that government should be adopting market-driven approaches to health care delivery – adopting the federal provisions that allow citizens to deduct state income contributions from taxes used for Health Savings Accounts (HSAs); transparency in cost and quality of services; and supporting wellness initiatives in the workplace.

### Health Savings Accounts

HSAs are a unique form of health insurance that combines high deductible health insurance plans with a healthcare savings vehicle, the HSA – a first step toward market reform in the health care arena. Dollars in an HSA can be used to cover a patient's out-of-pocket medical expenses, including costs not covered by an insurer, extended coverage, or other expenses.

The key hallmark of HSAs is that both contributions to the savings account and expenses paid out of the health savings account are 100% tax-deductible against one's federal income tax liability. Individuals own HSAs and this creates an opportunity for people to accumulate personal savings for their healthcare over the course of one's life.

HSAs are more flexible than traditional health insurance plans because the individual maintains control over how HSA dollars are spent. This flexibility provides individuals with more control and customizable care to suit their healthcare needs, which has earned HSA plans the nickname of "consumer-driven healthcare."

Under traditional insurance plans, patients rarely observe the true costs of healthcare because they pay, at most, very small co-pays, and this encourages overuse. HSA users are more closely connected with the costs of their care, which makes these users more cautious in healthcare consumption.

### **Transparency**

Transparency is the key component to market driven health care reform. The purposes of transparency are to help patients make informed choices and control costs, to introduce a metric for providers and insurers to reward efficiency and quality, to enable providers to benchmark their performance (cost and quality), to provide information necessary for a competitive/market based system in health care, and to provide cost standards that help develop trust between patients and providers.

Critical factors that should be made transparent include the total cost of caring for a condition, the costs of particular health care services, the risks of treatment and illnesses, and the quality record of care and performance provided by doctors and medical facilities.

### **Wellness**

Another part of consumer driven health care is creating a culture of wellness by advocating for models of consumer driven health care plans that emphasizes personal responsibility and a culture of prevention and wellness.

Consumer-based plans will hold down family costs down while encouraging individuals to pursue healthier lifestyles and to become more savvy users of healthcare services when they are required.

Consumer-based approaches to health care will change the role of employers in the health care system. Currently, the employer's role in most health care situations is to cope with paying the rising costs of insurance. In a more market-based health care system, employers will be encouraged to control costs by becoming proactive in promoting the well-being and good health of its employees.

We need to provide everyone in Wisconsin tools to become critical consumers of health care services. Wisconsinites are intelligent investors and consumers, making complex decisions in their daily lives and completely able to do the same in the health care arena, given the opportunity.



---

6117 Monona Drive • Suite 1 • Madison, Wisconsin 53716-3995 • (608) 221-0383 • FAX (608) 221-2788  
info@wisconsinnurses.org • www.wisconsinnurses.org

TO: Senator Jon Erpenbach, Chair and the Members of Senate Health, Human Services,  
Insurance, and Job Creation Committee  
FROM: Gina Dennik-Champion MSN, RN, MSHA  
WNA Executive Director  
DATE: March 10, 2008  
RE: Support for SB 562 - Relating to: the establishment of the Healthy Wisconsin Plan and the  
Healthy Wisconsin Authority, granting rule-making authority, and making an appropriation.

---

Good morning Chairperson Erpenbach and members of the Health, Human Services, Insurance, and Job Creation Committee. My name is Gina Dennik-Champion. I am an RN and I am here today to relay the Wisconsin Nurses Association (WNA) support for SB 562 – Healthy Wisconsin. WNA is the professional association for all RNs in Wisconsin.

Wisconsin's 76,000 plus registered nurses provide health care in a variety of settings throughout Wisconsin. RNs serve in hospitals, clinics, nursing homes, schools, hospices, home health agencies, assisted living facilities, public health departments, community clinics, correction facilities, workplaces, and communities of worship. You will find these RNs providing direct care, health promotion and prevention, and patient education services. Among all health care providers, RNs play a unique role in seeking, pursuing, and ensuring coordination of health services and promoting patient advocacy. We have witnessed first-hand the problems in delivering and providing care to our patients and in 2003 felt the need to get involved and address this issue.

We ended the first phase of our work in January of 2005 when a group of professional nursing associations including WNA, issued a paper that focused on the growing concerns about our failing health care delivery system. This paper calls for health care reform objectives that focus upon ensuring and sustaining health rather than a focus centered merely upon financing a system. The paper *The Wisconsin Community of Nursing's Agenda for Health Care Reform* was in direct response to the following:

- 350,000-plus persons go without care or enter the system sicker, at higher cost entry points
- Double digit increases in health costs, annually
- Health care workforce shortages
- Limited access to health care in rural communities and dense urban areas
- Decreased profits for businesses as health insurance costs rise
- Decreased personal incomes as more out-of-pocket spending goes toward health services
- Gaps, fragmentation and duplication in delivery of services
- A rapidly growing aging and culturally diverse population
- A "system" that is complex, confusing and wasteful

Our premise is that Registered Nurses are an integral part of the health care delivery system. RNs are educated to deliver nursing care that encompass the promotion of health, prevention of illness and the total care of person at all ages who are living with disabilities, experiencing physical illness or seeking mental health support. Among all providers, nurses are advocates in ensuring coordination of health services. To increase the opportunity for maintaining health and sustaining a life of quality, the *Wisconsin Nursing Community's Agenda for Health Care Reform* identifies four tenets of care that include; Prevention/Health Promotion, Consumer Health Literacy, Patient Safety and Coordinated Chronic Disease Management.

Phase 2 included WNA and our nursing colleagues spending the last couple of years reviewing and learning about the variety of health care reform proposals that were emerging in Wisconsin. Our goal was to identify those proposals that address our core philosophy and principles contained our *Nursing's Agenda for Reform*. Our core philosophy is **Healthcare Coverage for All**. When we say this we are talking about all patients having access to standard package of evidence-based, quality healthcare services that provide a coordinated continuum of care across the person's lifespan. This benefit package needs to include the following essential services:

- Prevention & Health Promotion
- Primary Healthcare
- Outpatient Professional Services and Therapies
- Coordinated Disease Management
- Emergency and Acute Care
- Mental Health and Substance Abuse Care
- Prescription drugs, Medical supplies and Equipment
- Hearing, Oral Health and Vision Care
- Rehabilitative and Restorative Care
- Long Term Care
- Palliative and End of Life Care

WNA supports health care reform policies that provide coverage for all, care that is delivered by the most appropriate health care provider, in the most appropriate setting in order to achieve cost-effectiveness and patient safety. After review of this legislative proposal, Healthy Wisconsin, the Wisconsin Nurses Association believes that it most closely resembles our *Agenda for Healthcare Reform*. In addition it creates the opportunity to spread financial risk, promote streamlined billing and reimbursement system, promote transparency of care delivered to costs and promote prevention and health promotion. This is why WNA supports SB 562 and we believe that it should strongly considered as the reform proposal for Wisconsin. We also believe that the role and appropriate utilization of RNs can make a significant contribution to the success of Health Wisconsin and to the lives of our patients.

Among all health care providers, RNs play a unique role in seeking, pursuing, and ensuring coordination of health services and promoting patient advocacy. Wisconsin's RNs understand the importance of an accessible, high quality and cost-effective health care system so that the current and emerging health needs of all Wisconsin's residents, families and communities can be appropriately addressed.

WNA thanks you Senator Erpenback for introducing SB 562 and WNA looks forward to working with you as it advances in Wisconsin.





Affiliated with  
Small Business & Entrepreneurship Council  
Washington, D.C.

Independent  
Business  
Association  
of  
Wisconsin

4600 American Pkwy, Ste 208  
Madison, WI 53718

608/251-5546  
608/241-7790 FAX  
email: [iba@ibaw.com](mailto:iba@ibaw.com)  
<http://www.ibaw.com>

## **HEALTHY WISCONSIN**

### ***Position Statement – March 2008***

Healthy Wisconsin was introduced late last week and, like the original budget version, was done so without any actuarial study, or even the bi-partisan review of the Legislative Fiscal Bureau. However, as disturbing as this is, our position statement will focus on the merits and facts of the plan and why the Independent Business Association of Wisconsin (IBAW) so dramatically opposes both this plan, and the Wisconsin Health Plan (a proposal which Senate Democrats used as a model to develop Healthy Wisconsin)

#### **► Fundamentally Flawed**

Healthy Wisconsin and the Wisconsin Health Plan are fundamentally flawed. Both plans set out to reform insurance (or how we finance health care) rather than trying to reform health care costs. Wisconsin enjoys not only some of the highest quality health care in the nation but we have abundant access to such care. What we lack is affordability of health care costs and neither plan addresses this fundamental issue. Instead, they dismantle our current financing system of insurance and replace it with government mandated payroll taxes. How does this reduce health care costs? It doesn't. When health care costs continue to rise at 12% per year, the payroll taxes in both plans will have to increase by the same 12% increase. Consumers will simply face tax increases rather than premium increases. The only real option these two reform plans have in controlling health care costs is to begin rationing care. Was this the true intent of these two reform plans?

At the same time, it is clear that the current system of delivering health care is not sustainable from a financial perspective. We simply must make changes in the quantity of what we purchase, the location of the purchase and the method which we use to pay for the purchase. Since these items are not addressed in any reform plan, we would urge the legislature to begin such discussions so true health care reform can be realized.

#### **► Who Developed Healthy Wisconsin and the Wisconsin Health Plan?**

Both Healthy Wisconsin and the Wisconsin Health Plan were developed by long time state government employees. Neither of the plan's authors have any real world experience in health care financing for private sector employers. In fact, the board developed by Healthy Wisconsin would specifically exclude individuals with health care financing experience. The only experience both authors bring is their involvement with the Wisconsin State Employees plan, which they praise as a successful plan and use as their blue print in developing their reform plans. This is alarming for two reasons. First, to develop a state run health care plan without individuals who are familiar with health care financing is reckless public policy. Second, the State Employees Plan is part of the problem, not the solution. It is not successful when compared to private sector purchasing of health care benefits. As business owners, we know first hand that multiple insurers providing coverage to one employer is inefficient. It shrinks the overall pool of the group actually causing the premiums to

be higher than if all employees were covered under the same insurer. The ineffectiveness of their plan is highlighted when looking at the cost of their plan on the taxpayers of Wisconsin - a \$1,500 per month family rate for an 80,000+ employees is not successful. As of 2007, the average premium for taxpayer funded premiums for family coverage in the State Employees Plan is over \$1,500 per month, which is far higher than what most private sector firms pay for health care coverage. By any standards in the private sector, this is a plan that is truly not working. It is proof once again that when you spend someone else's money (in this case the taxpayers), you do so inefficiently and without regard to those paying the premium.

### ► Logically Unworkable

The Healthy Wisconsin proposal appears to be unworkable. First, half of the health care purchases in the state are excluded from the proposal; Medicare and Medicaid purchases. Of the remaining half over 60% are made under self insured benefit plans which are preempted from state insurance law by a federal law called ERISA. (ERISA explicitly states that it supersedes any and all state laws that relate to any employee benefit plan.) This leaves 40% of the states employers who provide health insurance and the uninsured to be covered by the proposal. Making changes that impact only 20% to 30% of the health care purchases in the state will not produce the desired results. The logic from Healthy Wisconsin supporters is that employers are required to pay a tax, not provide benefits. The state then provides the benefits. Employers therefore cannot claim ERISA exemption from the state law. The argument is thin at best as the United States Supreme Court has held that similar state wide plans violate ERISA.

---

### ► Outdated Plan Design

Healthy Wisconsin embraces plan designs which have proven to generate unnecessary costs and which have forced numerous employers to abandon health benefit plans over cost issues. The average cost for the proposed plan for state employees is over \$11,000 per year. The average spent by private sector employers is slightly over \$6,000. Higher deductible plans coupled with medical savings accounts have come to be regarded as the future of health benefits. These plans provide employees with an incentive to function as consumers seeking quality and price information to determine the value of proposed health services. In addition, the medical savings accounts enable people to build a financial reserve to deal with future health needs regardless of their employer. The accounts can also be used to supplement Medicare payments assuring people of access to the best health care in the future.

### ► Loss of Quality Providers

The implementation of this plan will threaten the continued presence of high quality health care providers in the State of Wisconsin. A talented physician is in demand in numerous parts of the country. Why would these highly trained men and women subject themselves to the reimbursement levels established by a state plan? Many would undoubtedly leave the state which not only threatens the availability of those services in the state but also a valuable state "export".

### ► Potential Demise of Small Business

The Small businesses and start up businesses have provided virtually all growth in state employment for several years. Larger businesses have actually lost employment in the state. Many of these small businesses could not survive if forced to provide health benefits through a state tax system. This would result in a loss of current employment and future employment opportunities.



**ADVOCACY & BENEFITS COUNSELING FOR HEALTH, INC.**  
32 N. Bassett St., Madison, WI 53703 608.261.6939 fax: 608.261.6938 [www.abcforhealth.org](http://www.abcforhealth.org)

**Written Testimony of  
Public Interest Attorney Bobby Peterson  
ABC for Health Inc.**

**For Informational Purposes**

**March 10, 2008**

**Introduction**

Rising health care costs are stretching the budgets of Wisconsin's middle and working class families. A growing number of working families and employed single adults, who are lucky enough to be eligible for employer-sponsored health care, face unreasonably high deductibles and co-payments. Consequently, so-called family coverage becomes "catastrophic coverage," with large premiums and few incentives to meet primary care needs and promote wellness. Competing, but legitimate interests, such as cost containment, high quality comprehensive health care and choice of provider, have collided and created the stew we call our health care "system".

**Families Need Help.**

The complex financing and coverage schemes of today's health plans and programs often leave people to twist in the wind. They must "self navigate" bureaucratic hurdles and follow torturous routes through thickets of red tape in seeking health care and coverage for themselves or a loved one. The absence of a coordinated system of individual advocacy for health care consumers under age sixty is a fundamental problem in our current system. Many families may already be coping with a loved one with a serious illness or disability and cannot contend with the pile of bills, denials, and other emotional and financial burdens. Still others are eligible for programs that they cannot hope to access due to a lack of





## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

timely information and individual advocacy assistance. Although some policy makers recognize an “advocacy gap,” many current health reform proposals to expand coverage look past the needs of people navigating perplexing coverage programs and fail to include a program of individual advocacy assistance for consumers under age sixty. In response to this bleak state of affairs, people are joining together to demand change and to demand a real system of health care that meets the needs of all.

### **Partnering for Change**

Meaningful health care reform must include education and advocacy to ensure Wisconsin residents are linked to the health care coverage and services they need. Policy initiatives, such as BadgerCare Plus and proposals like the Senate Democrats’ Healthy Wisconsin Bill (that in sec 260.12, specifically creates the office of Outreach, Enrollment and Advocacy), demonstrate that the state government is listening and ready to instigate substantial health care reform.

However, although increased access to health coverage through new laws and programs is laudable; such reform is merely window dressing *if* people in Wisconsin are not linked to the independent community based advocacy and the educational support they need to access, navigate and receive health care services. Independent advocacy can be the key to unlocking the door to the care and coverage people need and, in our country of bounty, they have long deserved.

We can look to the conversations we shared with advocates for our elders for instruction, for they have walked this path before. In 1977, advocates for seniors voiced a demand for advocacy that ultimately led to the successful creation of a supportive statewide network of Benefits Specialists for people over age sixty. Now, as we learn from the past and look to the future, we must join forces across the age and disability spectrum to call for coordinated advocacy outreach and enrollment in health care coverage programs for all.



## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

### **Our Proposal**

ABC for Health proposes to the development of an Office of Health Care Advocacy and Outreach (the "Office") to assist Wisconsin residents under age sixty in effectively navigating the health care system. The office would link to a strong senior advocacy network that currently exists, funded by the government at about \$3.15 million per year. Wisconsin also funds a support network for people with disabilities at about \$3.22 million per year.<sup>1</sup> However, no comprehensive advocacy and support network exists, however, for Wisconsin families and single people under age sixty. We point out this gap not to take from those that have worked long and hard to develop a system of advocacy, but rather to reach across the age and disability spectrum, to parents, grandparents brothers and sisters, to form intergenerational partnerships to promote the development of coordinated statewide individual advocacy for all in Wisconsin.

### **The Office of Health Care Advocacy and Outreach**

An Office of Health Care Advocacy and Outreach (the Office) would help all Wisconsin families and single residents under age sixty find alternative coverage and instruct on ways to prevent or manage rising medical debt. A centralized office would combine the various efforts of local non-profit, county, and state services to help people navigate and advocate within the existing health care structure. Simplifying the advocacy and outreach process would ultimately reduce duplicative efforts, prevent consumers from getting lost and misdirected in the application process, and ease general frustrations with the system. A precedent exists for such an office in Connecticut, namely the "Office of the HealthCare Advocate".<sup>2</sup>

<sup>1</sup> Bridging the Justice Gap: Wisconsin's Unmet Legal Needs. State Bar of Wisconsin March 2007. Appendix 5.

<sup>2</sup> <http://www.ct.gov/oha/site/default.asp> The Office of the Healthcare Advocate is dedicated to serving Connecticut's health insurance consumer. Our efforts take a multifaceted approach: direct consumer advocacy and education, interagency coordination, and a voice in the legislative process. This site contains useful information designed to assist consumers with health plan selection, accessing contracted benefits, and guidance and support through the appeals process. In addition, information concerning legislative efforts at healthcare reform and links to useful external sites concerning consumer healthcare rights are available for your convenience. It is our hope that the information provided on this site will empower Connecticut consumers to become effective self-advocates through a better understanding of their rights and responsibilities.



## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

In general, the Office would coordinate, support, and fund the delivery of comprehensive education and advocacy resources for approximately 500,000 residents of Wisconsin annually that either have no insurance or only have insurance part of the year,<sup>3</sup> as they navigate our health care system. It would counsel individuals in need of both help accessing health care coverage or services and those seeking to effectively use their current health insurance. Staff would include independent advocates working on behalf of enrollees in the resolution of health coverage disputes. The Office would also engage in outreach and education efforts to inform people in Wisconsin about available services, and inform them of their general rights and responsibilities in obtaining services. Additionally, the agency would collect data, and organize, analyze, and make available information for consumers to select the appropriate health plan.

---

### **The Structure of the Office**

The Office would be developed as a 501(c)3 non-profit organization to provide independent advocacy, detached from existing government departments in order to ensure nonpartisanship. The Office would be solicited through an RFP process. It would consist of four branches: Health Benefits Counselors, Health Care Navigators supervised by licensed medical professionals, Legal Services, and Outreach.

### **Health Benefits Counseling**

Health Benefit Counselors would provide health counseling and assistance to Wisconsin residents who are dissatisfied by their current coverage or lack thereof. The Health Benefits Counselors would function as an initial contact to redirect callers to health care professionals and organizations as needed and would specialize in helping residents navigate the system of coverage available in the state. Specifically, the Health Benefits Counselors would:

---

<sup>3</sup> Wisconsin Health Insurance Coverage, 2005. Executive Summary. <http://dhfs.wisconsin.gov/stats/pdf/fhs05insExecSum.pdf>



## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

- Determine the caller's concerns and direct him/her to the appropriate resource
- Discuss available health care options and determine the appropriate coverage plan for the individual or family, and assist in the application process as needed
- Provide counseling and assistance to callers dissatisfied with their treatment by health insurance providers and serve as an independent advocate on behalf of enrollees in the resolution of health coverage disputes
- Monitor and enforce compliance with contracts and regulations at both an individual case level and a systemic level
- Create a comprehensive website for the dissemination of collected information, including links to each health plan licensed to provide services under the contract.

### **Health Care Navigators**

Health Care Navigators could be coordinated and supported by local public health departments. These staff would assist callers in determining the type of care needed. For example, Navigators would be involved when clients require information about the appropriate services required, the timing of the care, and which type of medical practitioner can best provide such care. Navigators would seek to get clients in touch with public health officials and practitioners who can help determine the appropriate course of action. In particular, Health Care Navigators would:

- Serve as client's liaison to local medical practitioners and public health workers to determine the appropriate course of action.
- Help clients access health services, dental services, pharmaceutical resources, and social services.

### **Legal Support**

Health Benefits Counselors would work with and refer clients to a contracted Legal Services branch at the Office. Legal Services are essential for a successful Office of Health Care Advocacy and Outreach because the law can serve as an effective equalizer between large insurers and individual consumers. Attorneys understand the legal context and vocabulary necessary for the discussions, negotiations and appeals, in order to adequately represent people's interest. Legal support and training from attorneys would also give Health Benefits Counselors increased leverage and credibility when negotiating with recalcitrant third party



## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

payers. Moreover, since the issues surrounding eligibility for government programs and the interpretation of insurance contracts are ultimately legal in nature, the capacity of Health Benefits Counselors to obtain legal review and intervention is essential. Overwhelming statistical evidence supports the need for legal services for people to navigate the health care system. Five percent of those sampled under 200% FPL experienced legal problems with their charges for healthcare, prescription drugs, or medical equipment or supplies. Four percent experienced legal problems with claim payments for health care, prescription drugs, or medical equipment or supplies. Six percent of the total sample experienced legal problems related to insurance coverage for health care, prescription drugs, or medical equipment or supplies. Notably, 22% of respondents age 18-54 reported legal problems related to benefits in general.<sup>4</sup> Many people in our state require increased access to information and legal services in order to receive adequate health coverage.<sup>5</sup> Attorneys have an intricate understanding of the procedural rights and intervention points that can provide legal protections for consumers. Specifically, the Legal Services branch would:

- Review private health insurance disputes and denials of coverage based on preexisting condition clauses, medical necessity, and usual and customary costs in Medicaid, state, and federal Medicaid buy-in
- Challenge denials of service from contracted health plans by providing consultation and advice by telephone or in person (fact-finding and gathering financial, medical or insurance information or documents)
- Review health insurance marketing
- File complaints with the respective health plans or the Office and monitor responses to ensure proper redress for clients
- Provide representation at administrative due process hearings or in state and federal court

The Office would coordinate outreach activities through Outreach Coordinators to educate the general public and health care service providers about available service. A primary goal would be to inform people about individual advocacy

<sup>4</sup> "Wisconsin Civil Legal Needs Final Report" Bridging the Justice Gap: Wisconsin's Unmet Legal Needs. Access to Justice Study Committee, State Bar of Wisconsin, May 2006 p 29, 30, 46.

<sup>5</sup> "Wisconsin Civil Legal Needs Final Report" Bridging the Justice Gap: Wisconsin's Unmet Legal Needs. Access to Justice Study Committee, State Bar of Wisconsin, May 2006 p 29, 30, 46.





## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

assistance and get them in touch with Health Benefits Counselors. The Outreach Coordinator branch would:

- Disseminate information and offer counseling regarding state laws relevant to health care as well as the procedures and practices of specific health plans operating the region.
- Collect information from health plans and their consumers, and release publications about their findings that would be available to the public, agencies and legislators.
- Conduct outreach to shelters, religious organizations, colleges, community centers, etc to get information to the public about health care options and the importance of wellness and healthy lifestyles.
- Connect people with Health Care Counselors, who can help with advocacy issues.

### Financing the Office

A rough budget estimate for the Office of Health Advocacy and Outreach is \$5,000,000 annually, with \$2,500,000 going to the statewide office and approximately \$500,000 going to each of the five regional offices. Health plans and enrollees would finance the Office's annual budget.

The enrollees' contribution would fund 50% of the Office. There were 1,647,295 HMO enrollees in Wisconsin for 2006.<sup>6</sup> A \$0.12 increase in the monthly capitation rate for all Wisconsin enrollees in health plans would pay for 40% of the Office's budget. A sliding fee scale would be put in place for enrollees over 300% FPL using Health Care Counselors, Legal Services, and Health Care Navigators. This fee would comprise the remaining 10% of the enrollees' contribution to the annual budget.

Health plan contributions would finance the remaining 50% of the Office's budget. HMO contributions covering 25% of the cost would be calculated based on the number of enrollees each had in the previous year. The final 25% would

<sup>6</sup> "Health Insurance Coverage in Wisconsin" Office of the Commissioner of Insurance. 2007. p 16. [http://oci.wi.gov/pub\\_list/pi-094.pdf](http://oci.wi.gov/pub_list/pi-094.pdf).



## ADVOCACY & BENEFITS COUNSELING FOR HEALTH

come from fines and penalties levied against health plans for violations of Wisconsin regulations concerning their conduct.

### **Conclusion**

The benefits of the Office of Health Advocacy and Outreach would be manifold: Consumers would have improved access to information about the health care system; providers would see a decrease in customer complaints and confusion; and state government could reign in private insurance companies that seek to transfer financial liability for payment to the Wisconsin Medicaid program. If a new system of health care coverage does not include a system of family support and individual advocacy, our current predicament will continue: hundreds of thousands of Wisconsinites will continue to go without necessary coverage or care, and those most in need will remain marginalized and isolated. We cannot build a successful health care system for our state without also building a support system that will link people to quality coverage and care. Our marvelously advanced health care system offers very little if it allows jargon, complexity and bureaucratic inflexibility to block access to the very care it provides. The creation of an Office of Health Care Advocacy offers an effective way to ensure all people in Wisconsin are linked to the coverage and care they need and deserve.